



FACT SHEET

KATHMANDU, NEPAL
<http://www.usaid.gov.np>

Contact: USAID/Nepal Program Office
977-1-4270144

DEMOCRACY AND GOVERNANCE: UPDATE ON THE CONFLICT IN NEPAL

During the 1950s life expectancy in Nepal was 28, with an infant mortality rate of 25% and a per capita income of about \$30. There were over two million malaria cases a year, and the literacy rate was 2%. In the last 53 years, Nepal has made a remarkable transition from an isolated kingdom with limited basic services and infrastructure to a functioning constitutional monarchy. Progress has been notable - substantial road infrastructure, large decreases in child mortality and fertility rates, functioning ministries such as education, finance, and health, gains in literacy and increased access to basic services. Nonetheless, Nepal remains one of the poorest countries in the world, with an annual per capita income of \$250 and 42% of the population living below the national poverty line. Eighty percent of the population lives in rural areas, dependent on agriculture for their livelihood. Population growth has led to fragmented land holdings, and increased pressure on forests. Life expectancy at birth has increased to 59 years, but this is still lower than in neighboring South Asian countries. Maternal mortality is among the highest in the region. One of 11 children dies before they reach their fifth birthday - the vast majority during their first year. While Nepal's human development indicators are low by any standard, they are particularly low for the very poor, and include wide disparities by region, gender and ethnic group. Economic growth has been almost exclusively in urban areas. The rural economy is virtually stagnant, particularly in the hill and mountainous regions. Life expectancy in Kathmandu is over 70 years, but declines to less than 42 years in the far-western mountains. The literacy rate is 54% nationwide, but is only 26% for women.

The most pressing problem facing Nepal today is the profound impact of a rebel insurgency on its political and economic development. The Maoist insurgency, which began in 1996, found fertile ground as a result of poor governance, poverty and social exclusion. The combination of security threats presented by the insurgency and ongoing political instability has been disastrous for the people of Nepal, adding to their already considerable burdens and development woes.

Compendium of Violence and Destruction: More than 8,000 people have been killed by the Maoists or Security Forces since the onset of the insurgency in 1996. The bulk of these deaths (almost 6,000), have occurred since 2001. The initial pro-people approach, which won the Maoists converts among the disenfranchised of Nepal, has degraded into a campaign of violence, lawlessness, intimidation, and destruction. By the end of 2002, the Maoists damaged or destroyed 1,647 Village Development Committees buildings (out of 4,000 nationwide), nine hydropower sites (leaving 125,000 people without electricity), 37 telephone repeater stations in 25 districts, communication towers at 13 district airports, 439 post offices, and 40 of the 92 area forest offices. Some of these have been repaired or reconstructed, but no data is available as yet.

Economic Costs of the Conflict: A \$1.5 billion loss to national property and the economy are estimated as the cost of the conflict thus far. This includes destruction of government physical infrastructure (\$26.38

The U.S. Agency for International Development has provided economic and humanitarian assistance worldwide for more than 40 years

million), and declines of GDP based on realistic projections of growth. In addition, cumulative totals of security expenditures have increased by 450% since 1997 for an extra \$478 million.

USAID's Response: USAID is responding through more a comprehensive focus on democracy and governance, as well as economic growth programs that encourage rural production and marketing. The objective is to address the root causes of the conflict, through support for key political and economic reforms that strengthen the responsiveness of the state to its citizens and counter the appeal of the Maoist movement. Fundamental issues underlying the conflict include poor governance (politicization, rampant corruption and deep-seated social and economic inequities), and the lack of opportunities for poor and marginalized communities to increase incomes and improve their lives. Activities include: peace-building through rural income generation; strengthening anti-corruption initiatives; increasing accountability and transparency of government budget processes; reforming the judiciary to improve the handling of cases (particularly those related to human rights abuses); strengthening civil society participation in reforming electoral and political party processes; improving revenue administration and transparency; strengthening governance in the management and utilization of natural resources; and support for enterprise development and increased production and marketing of high-value farm and forest crops.

In addition, a Humanitarian Forecasting and Response Unit has been established within the Mission as a policy resource unit that identifies, collects, analyzes, and disseminates data and information related to the ongoing conflict and reconciliation process, humanitarian assistance, political and economic developments, and USAID programs based on an understanding of the fluid and often difficult operational conditions and ground realities.